



6714-01-P

FEDERAL DEPOSIT INSURANCE CORPORATION

Agency Information Collection Activities: Information Collection Revision; Comment Request (3064-0189)

AGENCY: Federal Deposit Insurance Corporation (FDIC).

ACTION: Notice of information collection to be submitted to OMB for review and approval under the Paperwork Reduction Act, and request for comment.

SUMMARY: The Federal Deposit Insurance Corporation (“FDIC”) invites the general public and other Federal agencies to take this opportunity to comment on a revision of a continuing information collection, titled, “Company-Run Annual Stress Test Reporting Template and Documentation for Covered Institutions with Total Consolidated Assets of \$50 Billion or More under the Dodd-Frank Wall Street Reform and Consumer Protection Act,” (3064-0189), as required by the Paperwork Reduction Act of 1995.

DATES: Comments must be received by [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: You may submit written comments by any of the following methods:

- *Agency Web Site:* <http://www.fdic.gov/regulations/laws/federal/>. Follow the instructions for submitting comments on the FDIC website.
- *Federal eRulemaking Portal:* <http://www.regulations.gov>. Follow the instructions for submitting comments.

- *E-mail:* Comments@FDIC.gov. Include “Annual Stress Test Reporting Template and Documentation for Covered Institutions with Total Consolidated Assets of \$50 Billion or More” on the subject line of the message.
- *Mail:* Gary A. Kuiper, Counsel, or John Popeo, Counsel, Legal Division, Attention: Comments, FDIC, 550 17th Street, NW, MB-3098, Washington, DC 20429.
- *Hand Delivery/Courier:* Guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7:00 a.m. and 5:00 p.m.
- *Public Inspection:* All comments received will be posted without change to <http://www.fdic.gov/regulations/laws/federal/> including any personal information provided.

Additionally, you may send a copy of your comments: By mail to the U.S. Office of Management and Budget, 725 17th Street, NW, #10235, Washington, DC 20503 or by facsimile to 202.395.6974, Attention: Federal Banking Agency Desk Officer.

FOR FURTHER INFORMATION CONTACT: You can request additional information from John Popeo (202.898.6923), or Gary Kuiper (202.898.3877), Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, NW, MB-3098, Washington, DC 20429. In addition, copies of the templates referenced in this notice can be found on the FDIC’s website (<http://www.fdic.gov/regulations/laws/federal/>).

SUPPLEMENTARY INFORMATION: The FDIC is requesting comment on the following changes to the information collection:

Title: Company-Run Annual Stress Test Reporting Template and Documentation for Covered Institutions with Total Consolidated Assets of \$50 Billion or More under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Description: Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act¹ (“Dodd-Frank Act”) requires certain financial companies, including state nonmember banks and state savings associations, to conduct annual stress tests² and requires the primary financial regulatory agency³ of those financial companies to issue regulations implementing the stress test requirements.⁴ A state nonmember bank or state savings association is a “covered bank” and therefore subject to the stress test requirements if its total consolidated assets are more than \$10 billion. Under section 165(i)(2), a covered bank is required to submit to the Board of Governors of the Federal Reserve System (Board) and to its primary financial regulatory agency a report at such time, in such form, and containing such information as the primary financial regulatory agency may require.⁵

On October 15, 2012, the FDIC published in the Federal Register a final rule implementing the section 165(i)(2) annual stress test requirement.⁶ The final rule requires covered banks to meet specific reporting requirements under section 165(i)(2). In 2012, the FDIC first implemented the reporting templates for covered banks with total consolidated assets of \$50 billion or more and provided instructions for completing the reports.⁷ This information collection notice describes revisions by the FDIC to those reporting templates and related instructions, as well as required information. The information contained in

¹ Public Law 111–203, 124 Stat. 1376 (July 21, 2010).

² 12 U.S.C. 5365(i)(2)(A).

³ 12 U.S.C. 5301(12).

⁴ 12 U.S.C. 5365(i)(2)(C).

⁵ 12 U.S.C. 5365(i)(2)(B).

⁶ 77 FR 62417(October 15, 2012).

⁷ 77 FR 52718 (August 30, 2012) and 77 FR 70435 (November 26, 2012).

these information collections may be given confidential treatment to the extent allowed by law (5 U.S.C. 552(b)(4)).

Consistent with past practice, the FDIC intends to use the data collected to assess the reasonableness of the stress test results of covered banks and to provide forward-looking information to the FDIC regarding a covered institution's capital adequacy. The FDIC also may use the results of the stress tests to determine whether additional analytical techniques and exercises could be appropriate to identify, measure, and monitor risks at the covered bank. The stress test results are expected to support ongoing improvement in a covered bank's stress testing practices with respect to its internal assessments of capital adequacy and overall capital planning.

The FDIC recognizes that many covered banks with total consolidated assets of \$50 billion or more are required to submit reports using the Board's Comprehensive Capital Analysis and Review ("CCAR") reporting form, FR Y-14A. The FDIC also recognizes the Board has modified the FR Y-14A, and the FDIC will keep its reporting requirements as similar as possible with the Board's FR Y-14A in order to minimize burden on affected institutions. Therefore, the FDIC is revising its reporting requirements to remain consistent with the Board's FR Y-14A for covered banks with total consolidated assets of \$50 billion or more.

Revisions to Reporting Templates for Institutions with \$50 Billion or More in Assets

On July 9, 2013, the FDIC approved an interim final rule that will revise and replace the FDIC's risk-based and leverage capital requirements to be consistent with agreements reached by the Basel Committee on Banking Supervision in "Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems" ("Basel III").⁸ The final rule was published in the Federal Register on April

⁸ 78 FR 55340 (September 10, 2013).

14, 2014 (“Revised Capital Framework”).⁹ The revisions include implementation of a new definition of regulatory capital, a new common equity tier 1 minimum capital requirement, a higher minimum tier 1 capital requirement, and, for banking organizations subject to the Advanced Approaches capital rules, a supplementary leverage ratio that incorporates a broader set of exposures in the denominator measure. In addition, the rule will amend the methodologies for determining risk weighted assets. All banking organizations that are not subject to the Advanced Approaches Rule must begin to comply with the Revised Capital Framework on January 1, 2015.

Due to the timing of the Dodd-Frank Act stress test and the revised capital rulemaking, the FDIC considered several options for the timing and scope of this proposal to collect information related to the capital rulemaking. On September 30, 2014, the FDIC published in the Federal Register, a 60-day information collection notice requesting public comment on proposed revisions to the DFAST -14A stress testing reporting templates.¹⁰ The FDIC received no comments on the proposed changes to the DFAST-14A stress testing reporting templates. The revisions to the DFAST-14A reporting templates consist of adding data items, deleting data items, and redefining existing data items. These changes will provide additional information to greatly enhance the ability of the FDIC to analyze the validity and integrity of firms' projections, improve comparability across firms, and increase consistency between the FR Y-14A reporting templates and DFAST-14A reporting templates. The FDIC has conducted a thorough review of the changes and believes that the incremental burden of these changes is justified given the need for these data to properly conduct the FDIC's supervisory responsibilities related to the stress testing.

Summary Schedule

Revisions to Income Statement Sub-Schedule

⁹ 79 FR 20754 (April 14, 2014).

¹⁰ 79 FR 58780 (September 30, 2014)

Under the current reporting template, , there is a definitional difference between the realized gains (losses) on available-for-sale (“AFS”) and held-to-maturity (“HTM”) securities reported on the Income Statement (items 127 and 128) and the AFS and HTM totals computed on sub-schedule A.3.c (Projected Other-Than-Temporary Impairment (“OTTI”) for AFS and HTM Securities by Portfolio), resulting from the Revised Capital Framework. In order to accurately collect information for the Income Statement, the FDIC proposes changing items 127 and 128 to be reported items instead of being equal to the total amounts on sub-schedule A.3.c. Additionally, for consistency with changes proposed to sub-schedule A.5 (Counterparty Risk) described below, items 59 and 62 (Trading Incremental Default Losses and Other CCR Losses) would be modified to be Trading Issuer Default Losses and CCR Losses, and line item 61 (Counterparty Incremental Default Losses) would be removed.

Revisions to RWA and Capital Sub-Schedules

To better align the collection of regulatory capital components with schedule RC-R of the Reports of Condition and Income (“Call Report”), the definitions of the items on schedule A.1.d (Capital) have been modified to refer to or mirror the definitions that appear on the Call Report. Furthermore, in order to ensure comparability among respondents and that transition provisions are being accurately and consistently applied, respondents would be required to apply the appropriate transition provisions to all transition-affected items of schedule A.1.d per the revised regulatory capital rule. With regard to the RWA sub-schedules, the standardized approach RWA and market RWA items of schedule A.1.c.1 (General RWA) have been changed in accordance with modifications to schedule RC-R of the Call Report that are currently being considered, and moved to a separate schedule A.1.c.2 (Standardized RWA). These changes include both the modification and addition of items, for an overall addition of 12 items. Additionally, the computed items one through five of the current sub-schedule A.1.c.2 (Advanced RWA) would be removed. Despite the alignment of these schedules with the Call Report, the column of actual values has not been removed because the values reported on these schedules are assumed to have completed the transition schedule

outlined in the Revised Capital Framework, whereas values reported on the Call Report follow the transition schedule.

Revisions to Retail Repurchase Sub-Schedule

Due to recent activity by respondents involving settlements related to their representation & warranty (“R&W”) liabilities, additional detail would be collected about the R&W liabilities. Specifically, items would be added that collect the unpaid principal balance (“UPB”) of loans covered by completed settlements for which liability remains and for which no liability remains by vintage beginning with 2004, as well as total settlement across vintages, for the following categories of loans: loans sold to Fannie Mae, loans sold to Freddie Mac, loans insured by the U.S. government, loans securitized with monoline insurance, loans secured without monoline insurance, and whole loans sold.

Revisions to Securities Sub-Schedule

Because covered bonds are a material exposure to companies that have unique characteristics relative to other asset categories currently on this sub-schedule, the FDIC would add a covered bond category to sub-schedules A.3.b, A.3.c, A.3.d, and A.3.e in order to appropriately and separately evaluate respondents' projections of these assets. Additionally, two columns would be added to collect information for each of the asset categories of sub-schedule A.3.d that would allow changes in market value to be distinguished from changes in portfolio allocation for each projected quarter: (1) Beginning Fair Market Value, and (2) Fair Value Rate of Change, which is the weighted average percent change in fair value over the quarter. Finally, to reduce reporting burden and increase efficiency in reporting, the nine sub-asset categories of Domestic Non-Agency Residential Mortgage-Backed Securities (“RMBS”) would be removed from the same sub-schedules, and the AFS and HTM portions of sub-schedule A.3.c would be combined into an additional column to identify AFS amounts versus HTM amounts.

Revisions to Trading Sub-Schedule

Because credit valuation adjustment (“CVA”) losses are modeled separately from trading portfolio losses, the FDIC proposes that the profit (loss) amount related to CVA hedges be reported separately from other trading activity in the trading sub-schedule.

Revisions to Counterparty Risk Sub-Schedule

In order to allow respondents to use alternative methodologies for estimating losses related to the default of issuers and counterparties, the requirement of using the incremental default risk (“IDR”) methodology would be removed. Accordingly, items 1, 1a and 1b (Trading Incremental Default Losses, Trading Incremental Default Losses from securitized products, and Trading Incremental Default Losses from other credit sensitive instruments) would be modified to be Trading Issuer Default Losses. Additionally, items 3 (Counterparty Incremental Default Losses) and 3a (Impact of CCR IDR Hedges) would be removed, item 4 (Other CCR Losses) would be modified to be CCR Losses, and the item, Effect of CCR Hedges, would be added.

Regulatory Capital Instruments Schedule

Proposed changes to the Regulatory Capital Instruments Schedule would be responsive to industry feedback and ensure that information is being accurately captured. Specifically, the FDIC proposes (1) adding an item that collects employee stock compensation to the four quarterly redemption/repurchase and issuance activity sub-sections; (2) adding 18 items to the general risk-based capital rules section and 28 items to the revised regulatory capital section that collect activity other than issuances or repurchases for each instrument in the section, because respondents add this activity to other items; and (3) changing the capital balance items in the general risk-based capital rules section and the revised regulatory capital section from reported items to formulas, since they would be able to be computed using the items proposed above.

Regulatory Capital Transitions Schedule

Similar to the changes proposed to the RWA and Capital sub-schedules of the Summary Schedule, proposed changes to the Regulatory Capital Transitions Schedule would be made to better align the collection of regulatory capital components with modifications to schedule RC-R of the Call Report, which are currently being considered. The FDIC proposes (1) aligning the definitions of the items on the Capital Composition sub-schedule to be consistent with schedule RC-R; (2) modifying the RWA General sub-schedule to align with proposed revisions to schedule RC-R, including changing the name to Standardized RWA and modifying, removing, and adding items for a net increase of 15 items; (3) modifying, adding, and removing items of the Advanced RWA sub-schedule to align with sub-schedule A.1.c.2 (Advanced RWA on the Summary Schedule), for a net increase of 21 items; and (4) revising the Leverage Ratio sub-schedule in accordance with the supplementary leverage ratio rulemaking proposal, for a net increase of 10 items. Despite the alignment of these schedules with the Call Report, the column of actual values has not been removed because the values reported on these schedules are assumed to have completed the transition schedule outlined in the Revised Capital Framework, whereas values reported on the Call Report follow the transition schedule.

Operational Risk Schedule

Proposed changes to the Operational Risk Schedule would provide greater insight into the types and frequency of operational risk expenses incurred by respondents, which would improve ongoing supervisory activities.

The FDIC proposes adding a data item for respondents to voluntarily disclose how much of their mortgage related litigation reserve is attributable to contractual representation and warranty claims.

Counterparty Credit Risk Schedule

Significant additions would be made to the Counterparty Credit Risk Schedule in order to more adequately and accurately capture exposure information related to derivatives and securities financing

transactions (“SFTs”). These additions would remediate deficiencies discovered in the current collection related to exposure, including a lack of information regarding collateral, asset types, and total exposure to a given counterparty, and have been carefully evaluated internally and vetted with respondents.

The FDIC proposes: (1) adding a sub-schedule that collects the derivative exposures at a legal-entity netting-agreement level for the top 25 non-central clearing counterparty (“non-CCP”) and non-G-7 counterparties, as well as all CCPs and the G-7 counterparties, that includes a breakout of collateral into cash and non-cash, and exposures into 14 asset categories; (2) changing the current SFT sub-schedule to collect exposures and collateral separately at a counterparty legal-entity netting-agreement level for the top 25 non-CCP and non-G-7 counterparties, as well as all CCPs and the G-7 counterparties, and adding asset sub-categories for a total of 30 specific asset types; (3) removing all columns with the institution specification of margin period of risk (“MPOR”) under the global market shocks from sub-schedules F.1.a through F.1.e and F.2; (4) removing the column LGD Derived from Unstressed PD on F.2; and (5) adding columns to worksheet F.1.e to collect both gross and net stressed and unstressed current exposure to central clearing counterparties.

Burden Estimates

The FDIC estimates the burden of this collection as follows:

Current

Number of Respondents: 4.

Annual Burden per Respondent: 1,040.

Total Annual Burden: 4,160.

Proposed

Estimated Number of Respondents: 4.

Annual Burden per Respondent: 1,040.

Estimated Total Annual Burden: 4,160 hours.

The FDIC recognizes that the Board has estimated 88,401 hours for bank holding companies to prepare the Summary, Macroscenario, Operational risk, Regulatory capital transitions, Regulatory capital instruments, and Counterparty credit risk schedules submitted for the FR Y-14A. The FDIC believes that the systems covered institutions use to prepare the FR Y-14A reporting templates will also be used to prepare the reporting templates described in this notice. Comments continue to be invited on:

- (a) Whether the collection of information is necessary for the proper performance of the functions of the FDIC, including whether the information has practical utility;
- (b) The accuracy of the FDIC's estimate of the burden of the collection of information;
- (c) Ways to enhance the quality, utility, and clarity of the information to be collected;
- (d) Ways to minimize the burden of the collection on respondents, including through the use of automated collection techniques or other forms of information technology; and
- (e) Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Dated at Washington, DC, this 11th day of December.

Robert E. Feldman,
Executive Secretary,
Federal Deposit Insurance Corporation.

[FR Doc. 2014-29418 Filed 12/16/2014 at 8:45 am; Publication Date: 12/17/2014]